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Report on internal audit and investigation activities for the period from 1 January to 31 December 2014

Summary

The present report provides information on the internal audit and investigation functions carried out for the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the period from 1 January to 31 December 2014. The internal audit function for UN-Women is carried out by the UN-Women Audit Unit of the Office of Audit and Investigations of the United Nations Development Programme in accordance with the financial regulations and rules of UN-Women (UNW/2012/6, annex I). The investigation function is carried out by the Office's Investigations Section. Information on the action taken and the management response to the present report are set out in the annex to the report and available on the website of UN-Women. As requested by the Executive Board in its decision 2014/4 (see UNW/2014/6), the report includes information on the number, nature and outcomes of investigation cases conducted during the year. The report of the Audit Advisory Committee of UN-Women and the management response thereto are contained in the addendum to the present report (UNW/2015/4/Add.1).

The Executive Board may wish to take note of the present report, express its continuing support for the audit and investigation functions within UN-Women and take note of the report of the Audit Advisory Committee.

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I. Introduction

1. The present report provides a description of the internal audit and investigation functions in the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the related activities for the year ended 31 December 2014. Information is presented relating to the main results of audits conducted during 2014 and to the status of management efforts to implement the recommendations made in the audit reports for current and prior years. Also presented is information on investigation activities, such as the number of new and continuing cases, the nature of the cases and the outcomes of the investigations conducted. The report of the Audit Advisory Committee of UN-Women and the management response thereto are contained in the addendum to the present report (UNW/2015/4/Add.1).

II. Assurance

2. To provide assurance with regard to governance, risk management and control systems, audits conducted by the UN-Women Audit Unit continue to be focused on those areas of governance, management and operations assessed as posing a high level of financial, reputational, legal and functional risk to UN-Women and to the achievement of its goals.

A. Mandate

3. In March 2012, a dedicated UN-Women audit unit was created within the Office of Audit and Investigations of the United Nations Development Programme as a result of a biennial service-level agreement between the Office and UN-Women. The Unit carries out the internal audit function for UN-Women in accordance with the Entity's financial regulations and rules (UNW/2012/6, annex I). For the biennium 2014-2015, the Unit continued to provide internal audit services and the Office continued to provide reimbursable investigation services pursuant to a second service-level agreement, signed on 6 December 2013.

4. In addition, the Office confirms that in 2014 it continued to be operationally independent of the management of UN-Women and exercised freedom in determining the scope of its audits and investigations in accordance with international and generally accepted standards.

5. The Office confirms to the Executive Board that audits are performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors. In accordance with those standards, the work of the Unit is subject to review by the Quality Assurance and Policy Unit of the Office. Post-audit client surveys are conducted at the conclusion of each audit mission. The surveys received in relation to audits conducted in 2014 indicated overall satisfaction with the UN-Women Audit Unit and the work performed.

B. Independent external oversight

6. The Audit Advisory Committee continued to provide advice to the Under-Secretary-General/Executive Director to promote and support the accountability framework, good governance and the effectiveness of the internal audit and investigation functions of UN-Women. In 2014, the Committee reviewed the annual workplan for the UN-Women Audit Unit for 2014 and monitored its implementation through quarterly progress reports and private meetings with the Director of the Office and the Chief of the Unit. In addition, the Committee reviewed and provided comments on the draft report for 2013 (UNW/2014/4).

7. The UN-Women Audit Unit communicated its annual workplan to the Board of Auditors in an effort to promote coordination and efficiency.

C. Risk-based audit planning

8. The 2014 audit plan was formulated taking into consideration the input of senior management, divisions and other stakeholders and is based upon the risk assessment of the auditable offices or units. In 2014, the UN-Women Audit Unit reviewed country offices and headquarters units that were rated as high-risk and medium-risk.

9. The audit plan was reviewed by the Audit Advisory Committee in November 2013 before its submission to and approval by the Under-Secretary-General/ Executive Director, in March 2014.

10. All fieldwork for the seven audits included in the 2014 plan was completed in 2014 as planned. Four of the seven audit reports were issued in 2014 and the remainder in January and February 2015.

D. Audit reports issued

11. Audit reports for four field-based offices and four headquarters units were issued in 2014. Of those eight reports, four were related to fieldwork performed in 2014 and four to fieldwork performed in 2013.

12. The audit reports issued for field-based offices were for the office in the Occupied Palestinian Territories (report No. 1226), the country office in Pakistan (report No. 1304), the multi-country office in Fiji (report No. 1305) and the office in Mali (report No. 1306). The reports issued for headquarters units were for the procurement function (report No. 1223), the United Nations Trust Fund in Support of Actions to Eliminate Violence against Women (report No. 1227), the Fund for Gender Equality (report No. 1228) and the UN-Women training centre in the Dominican Republic (report No. 1230). All the reports are available from http://audit-public-disclosure.unwomen.org.

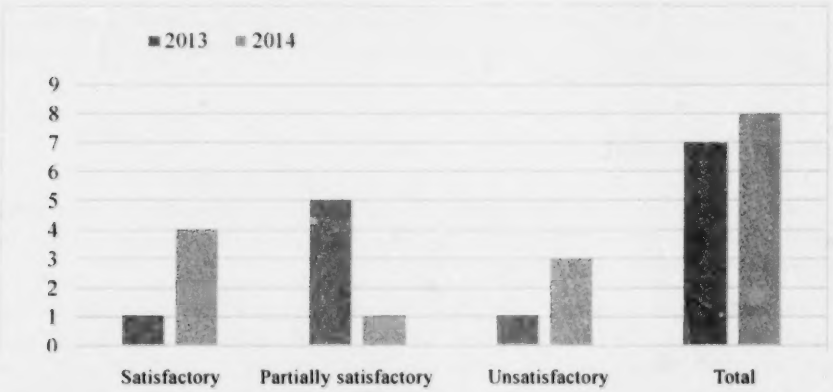
13. The audit reports issued in 2014 generally covered programmatic and operational activities carried out by UN-Women in 2013, meaning that the results generally reflect the status of programmes and operations during that year. Excluding the procurement function audit report to avoid double counting of procurement expenditure, the seven full-scope audits covered the programmatic and operational activities of the UN-Women offices or units and represented combined

expenditure of some $63 million, or 23 per cent of the total expenditure of $264 million reported by the Entity in its financial report for 2013 (A/69/5/Add.12). The audit coverage for 2014 compares favourably to 2013, where it covered 17 per cent of the total expenditure of $235 million. The cross-functional audit of procurement covered expenditure of some $120 million, or 45 per cent of the total expenditure reported by UN-Women for 2013.

E. Audit ratings

14. On the basis of the results of an audit, the Office generally assigns an overall audit rating, relating to its assessment of governance, risk management and control processes. Three offices or units (37.5 per cent) audited were assessed as unsatisfactory, which meant that internal controls, governance and risk management processes either had not been established or were not functioning well and that the achievement of the overall objectives of the audited entity might be seriously compromised. One (12.5 per cent) was assessed as partially satisfactory, meaning that one or several issues that might negatively affect the achievement of its objectives were identified. The remaining four offices or units (50 per cent) were assessed as satisfactory, with no issues that might significantly affect the achievement of their objectives identified. Figure I provides a comparison of the audit ratings.

Figure I
Comparison of audit ratings for 2014 and 2013



III. Disclosure of internal audit reports

15. In accordance with Executive Board decision 2012/10 (see UNW/2012/16) and after ensuring proper due diligence and quality assurance, all internal audit reports were publicly disclosed 30 days after their issuance to management and the Member States concerned. Of the eight reports issued in 2014, one was partially redacted because it contained sensitive information regarding safety and security. No request was received from any organization or Member State for any other redaction of audit reports.

IV. Staffing and budget

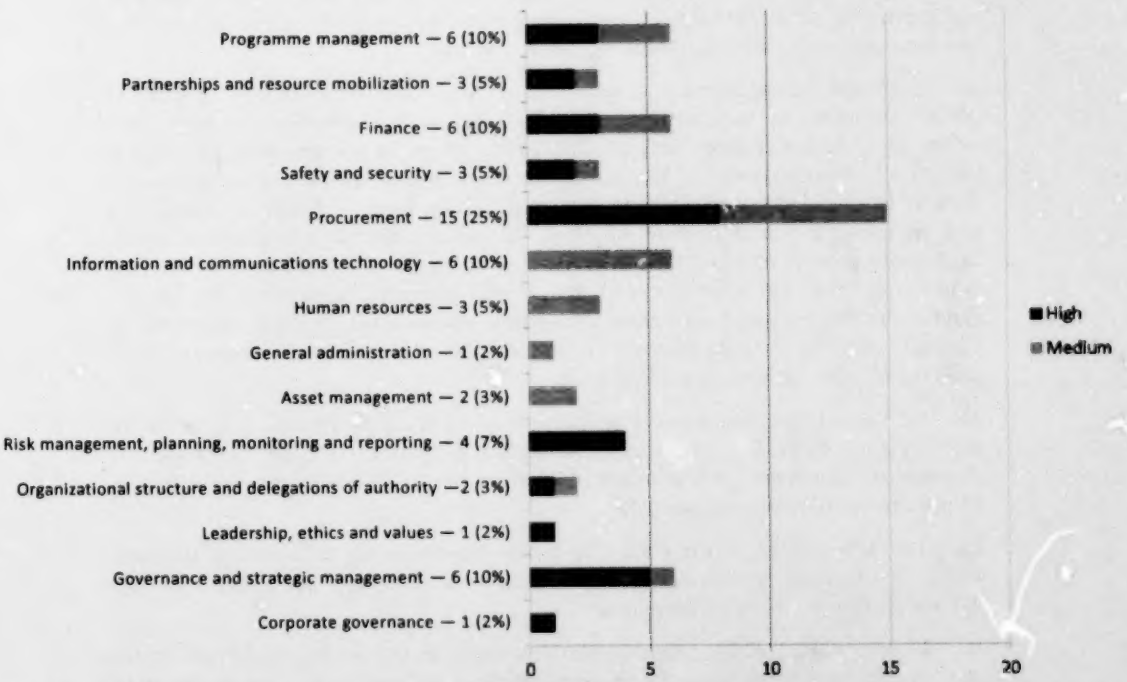
16. In 2014, all four approved posts in the UN-Women Audit Unit were filled until 17 November, when the holder of a P-4 position of Audit Specialist accepted a lateral move to another post in the Office. The vacated post was filled on 17 January 2015 through a lateral transfer.

17. In 2014, the UN-Women Audit Unit had an overall budget of $1.2 million, representing an increase of some $0.28 million compared with the 2013 budget. The audit and investigations expenditure amounted to $1.1 million, which indicated underspending of the budget by 8 per cent, owing mainly to savings on salaries and benefits and the use of Office in-house personnel instead of consultants in carrying out case investigations.

V. Significant internal audit results

18. The audit reports issued in 2014 resulted in 59 audit recommendations, of which 30 were rated as high-priority and requiring prompt action from management to ensure that UN-Women was not exposed to high risks. Figure II indicates the distribution and prioritization of all recommendations issued in 2014.

Figure II
Distribution and prioritization of audit recommendations[a]


Programme management — 6 (10%)
Partnerships and resource mobilization — 3 (5%)
Finance — 6 (10%)
Safety and security — 3 (5%)
Procurement — 15 (25%)
Information and communications technology — 6 (10%)
Human resources — 3 (5%)
General administration — 1 (2%)
Asset management — 2 (3%)
Risk management, planning, monitoring and reporting — 4 (7%)
Organizational structure and delegations of authority —2 (3%)
Leadership, ethics and values — 1 (2%)
Governance and strategic management — 6 (10%)
Corporate governance — 1 (2%)
0
5
10
15
20
High
Medium

[a] Total number of recommendations: 59.

A. Headquarters audits

19. In 2014, the Office issued four reports relating to audits of headquarters units or functions, namely the United Nations Trust Fund in Support of Actions to Eliminate Violence against Women, the Fund for Gender Equality, the UN-Women training centre and the procurement function.

20. Combined, the four audit reports resulted in 30 recommendations. Three (75 per cent) of the audits (Fund for Gender Equality, UN-Women training centre and procurement function) resulted in findings demonstrating the need for further clarity regarding resource needs, mandate and/or responsibilities for oversight and training. Two audits (UN-Women training centre and procurement function) resulted in findings relating to the insufficiency of the structure and processes for results management, monitoring and reporting.

B. Field office audits

21. In 2014, the Office issued four reports relating to audits of three country offices and the office in the Occupied Palestinian Territories.

22. In total, those audits resulted in 29 recommendations, of which 6 (21 per cent) pertained to programme management, 5 (17 per cent) to procurement matters, 4 (14 per cent) to finance, 3 (10 per cent) to partnerships and resource mobilization, 2 (7 per cent) each in four categories (asset management, human resources, information and communications technology and safety and security) and 1 each in the remaining three categories (corporate governance, general administration and risk management, planning, monitoring and reporting).

23. Although management has been responsive to recommendations specific to offices or units, as indicated in section VI below, the UN-Women Audit Unit observed some consistency between the issues raised in the previous two annual reports and those referred to herein. A further analysis of all the recommendations from 2014 revealed the re-emergence of some issues, such as delays in strategizing and initiating the mobilization of funds (2 offices and 2 headquarters units), inadequate project or results monitoring and oversight processes and the lack of monitoring frameworks or plans (1 office and 2 headquarters units), inadequate vendor due diligence and management (3 offices), weaknesses in the management of advances to implementing partners (3 offices) and weaknesses in management of capital and information assets (3 offices).

24. Of special concern was the proportion of field audits in which issues were noted relating to project advances to implementing partners (75 per cent) and the absence or inadequacy of resource mobilization strategies and efforts identified in 50 per cent of all audits conducted.

25. The UN-Women Audit Unit also noted pre-financing of non-core projects, which is expressly prohibited by UN-Women policies and procedures, in two (50 per cent) of the field office audits.

26. In responding to the recommendations made in the audits, management not only should look to address the recommendations as they pertain to the location audited, but also should consider whether the risks identified apply to the broader

organization and could be more effectively mitigated through a more global response, such as a policy or process change or clarification.

27. As at 31 December 2014, 12 of the 59 recommendations made in 2014 had been fully implemented, with 47 still outstanding, of which 13 (28 per cent) pertained to reports issued in the final quarter of 2014. Of the 47 outstanding recommendations, 26 (55 per cent) were rated as high-priority.

VI. Follow-up on audit recommendations

28. The audit reports issued between 1 July 2010 and 31 December 2014 included a total of 236 audit recommendations. As at 31 December 2014, 10 of the recommendations had been withdrawn, given that they were no longer relevant, owing to changes in the organizational structure and operations of UN-Women. Of the remaining 226 recommendations, 169 (75 per cent) had been fully implemented, 38 (17 per cent) were in the process of being implemented, and implementation activities had yet to be initiated for 19 (8 per cent).

29. Of the 38 recommendations in the process of being implemented, 3 or 1 per cent (2 rated high-priority, 1 rated medium-priority) had been outstanding for more than 18 months without being fully implemented. Two of the long-outstanding recommendations were implemented during the first quarter of 2015. The remaining recommendation required UN-Women to develop a corporate policy on risk management to assist field offices in identifying, assessing, monitoring and reporting risks associated with its programmes. As part of the follow-up process, the UN-Women Audit Unit confirmed that implementation was in progress and that UN-Women was working towards the implementation of enterprise risk management.

30. Of the 19 recommendations whose implementation had not yet started as at 31 December 2014, 13 related to audit reports issued in the fourth quarter of 2014. Table 1 indicates the status of implementation of audit recommendations as at 31 December 2014.

Table 1
Status of implementation of audit recommendations as at 31 December 2014

Report issued	*Audit No.*	*Audit report title*	*Report rating*[a]	*Number of recommendations*					*High priority outstanding > 18 months*
				Total	*Implemented*	*In progress*	*Not implemented*	*Withdrawn*	
September 2010	719	UNIFEM Pacific subregional office	Unsatisfactory	23	22	–	–	1	–
December 2010	743	UNIFEM Arab States subregional office	Satisfactory	9	9	–	–	–	–
December 2010	753	UNIFEM Southern Africa and Indian Ocean States subregional office	Partially satisfactory	19	19	–	–	–	–
December 2010	774	UNIFEM subregional office for Mexico, Central America, Cuba and the Dominican Republic	Partially satisfactory	16	16	–	–	–	–
May 2011	823	UN-Women subregional office for the Southern Cone	Follow-up	24	16	–	–	8	–
October 2011	827	UN-Women Caribbean subregional office	Partially satisfactory	7	6	–	–	1	–
December 2011	863	UN-Women Central and Eastern Europe subregional office	Satisfactory	9	9	–	–	–	–
11 April 2013	982	UN-Women country office in Afghanistan	Partially satisfactory	9	9	–	–	–	–
28 June 2013	1077	UN-Women East and Horn of Africa subregional office in Kenya	Partially satisfactory	16	13	3	–	–	2
7 June 2013	1121	UN-Women subregional office in India	Partially satisfactory	9	9	–	–	–	–
29 October 2013	1220	UN-Women country office in the Democratic Republic of the Congo	Unsatisfactory	13	9	4	–	–	–
31 October 2013	1221	UN-Women country office in South Sudan	Partially satisfactory	10	9	1	–	–	–
1 November 2013	1222	UN-Women country office in Colombia	Satisfactory	5	5		–	–	–
18 December 2013	1224	UN-Women country office in Haiti	Partially satisfactory	8	6	2	–	–	–
13 February 2014	1223	Procurement function	Unsatisfactory	12	5	7	–	–	–
25 February 2014	1226	UN-Women Office in the Occupied Palestinian Territories	Satisfactory	1	–	1	–	–	–
17 March 2014	1227	United Nations Trust Fund in Support of Actions to Eliminate Violence against Women	Satisfactory	2	–	2	–	–	–
17 March 2014	1228	Fund for Gender Equality	Satisfactory	5	3	2	–	–	–
6 June 2014	1230	UN-Women training centre in the Dominican Republic	Unsatisfactory	11	–	8	3	–	–

Report issued	*Audit No.*	*Audit report title*	*Report rating*[a]	*Number of recommendations*					*High priority outstanding > 18 months*
				Total	*Implemented*	*In progress*	*Not implemented*	*Withdrawn*	
17 July 2014	1304	UN-Women country office in Pakistan	Partially satisfactory	10	–	7	3	–	–
8 December 2014	1305	UN-Women multi-country office in Fiji	Satisfactory	5	4	1		–	–
28 November 2014	1306	UN-Women office in Mali	Unsatisfactory	13	–		13	–	–
Total			–	**236**	**169**	**38**	**19**	**10**	**2**
Total (percentage)			–	**100**	**72**	**16**	**8**	**4**	**1**

Abbreviation: UNIFEM, United Nations Development Fund for Women.

[a] Follow-up audit reports are not assigned an overall rating.

VII. Advisory services

31. The UN-Women Audit Unit continued to provide, upon request, advice and detailed comments to UN-Women managers at headquarters and field offices. The advice covered a range of topics, including donor requests for information, external assessments, procurement and anti-fraud policies and procedures, proposed terms of reference and draft policies, audit/investigation clauses in donor and non-standard agreements, non-renewal of lease agreements, writing-off of receivables, audits of projects implemented by national Governments or non-governmental organizations, determination of the useful life of assets and reporting against the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women.

VIII. Investigations

32. In accordance with the service-level agreement, the Office provides investigation services covering allegations of fraud, corruption or other wrongdoing, including workplace harassment, the abuse of authority or retaliation against whistle-blowers, by UN-Women staff members, non-staff personnel and contractors.

A. Caseload

33. In 2014, the Office opened 17 new cases. It also carried over nine cases from 2013, bringing the total caseload in 2014 to 26, an increase of 30 per cent over the total caseload in 2013 (20 cases), as shown in table 2.

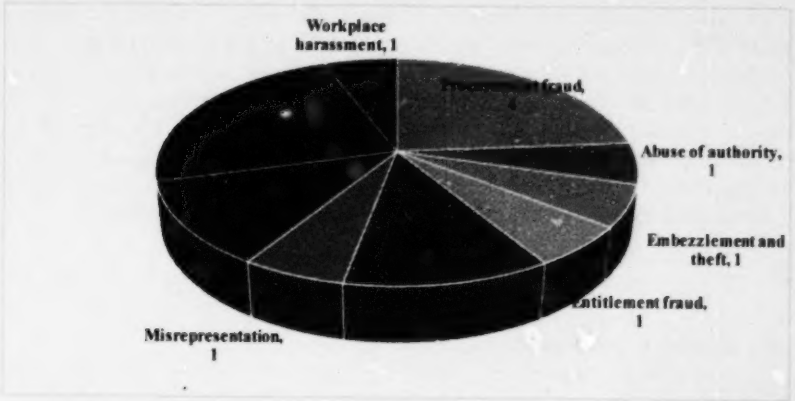
Table 2
Caseload in 2013 and 2014

Caseload	*2013*	*2014*
Carry-over as at 1 January	2	9
Intake during the year	18	17
Total	**20**	**26**
Closed (from cases carried over)	1	5
Closed (from intake)	10	12
Total	**11**	**17**
Carried over as at 31 December	9	9

B. Types of complaint

34. The 17 complaints received during 2014 are detailed in figure III.

Figure III
Case intake by category, 2014



35. Geographically, the 17 cases received in 2014 were from Asia and the Pacific (6), Arab States (4), the Americas and the Caribbean (3), Africa (3) and headquarters (1).

C. Financial implications

36. Of the 17 cases opened, 7 had potential for financial implications, namely procurement fraud, embezzlement and theft and entitlement fraud. Three cases were closed, either because the allegations were not substantiated or because the alleged offender had left UN-Women and the Entity sustained no financial loss in those cases.

37. Four cases relating to financial irregularities remain open from the 2014 intake. Two are currently under investigation and two under assessment. The total amount involved is $129,689.

38. In addition to the carry-over of the four cases opened in 2014, two cases relating to procurement fraud carried over from 2013 remain open, with a total reported financial implication of $735,400.

39. The amounts indicated in paragraphs 37 and 38 were provided when the allegations were reported to the Office. The losses, if any, will be determined upon completion of the investigations.

D. Cases resolved/closed

40. The Office closed 17 cases in 2014, 15 after a preliminary assessment owing to insufficient evidence of wrongdoing to justify an investigation or because an investigation was not warranted and 2 after investigation. Of the latter, one case, relating to misrepresentation, resulted in an investigation report and the other in a closure report.

41. The case that resulted in an investigation report was transmitted to the Division of Management and Administration pursuant to the requirements of the UN-Women Legal Framework for addressing Non-Compliance with United Nations Standards of Conduct. The staff member who was the subject of the investigation was charged with making a material misrepresentation on her personal history form and submitting a falsified document in support of the same, in violation of regulation 1.2 (b) of the Staff Regulations. The staff member received the allegations of misconduct on 4 November 2014 and was requested to respond. On 15 December, however, she tendered her resignation and was subsequently separated from the Entity. She submitted no response to the allegations before separation, meaning that the disciplinary proceedings were not completed.

42. Table 3 sets out the disposition of cases in 2013 and 2014.

Table 3
Disposition of cases in 2013 and 2014

Action taken	*Cases in 2013*	*Cases in 2014*
After preliminary assessment		
Closed (investigation not warranted)	10	15
Subtotal	**10**	**15**
After investigation		
Closed (not substantiated)	1	1
Closed (substantiated)	–	1
Subtotal	**1**	**2**
Total	**11**	**17**
Investigation reports issued	1	2

E. Cases carried forward

43. At the end of 2014, the Office had nine open cases for UN-Women, Five were at the assessment stage and four under investigation.

IX. Conclusion

44. With the resources available to the Office in 2014, it was able effectively to carry out its mandate to provide internal audit and investigation services to UN-Women. The collective results of the audits of headquarters units, the corporate function and country offices indicated that the governance, risk management and internal control systems were generally functioning well. All offices concerned were responsive in implementing audit recommendations.

45. During the year, the Office was able to close more investigation cases and issue more investigation reports than in the previous year.

46. The continuing support of the Executive Board, senior management and the Audit Advisory Committee will enable the Office to continue to provide value-added internal audit and investigation services that will contribute to the achievement of the goals of UN-Women, as defined its strategic plan.

Annex

Management response to the report on internal audit and investigation activities for the period from 1 January to 31 December 2014

1. The United Nations Entity on Gender Equality and the Empowerment of Women (UN-Women) is pleased to present its management response to the report of the Director of the Office of Audit and Investigations of the United Nations Development Programme (UNDP) on internal audit and investigation activities for the period from 1 January to 31 December 2014.

2. UN-Women acknowledges the findings and is addressing the key issues identified in section V of the report, "Significant internal audit results", under the following headings to highlight the improvements being undertaken.

Governance and strategic management

Resource needs, mandate and/or responsibilities for oversight and training

3. The primary issue identified focuses on governance and strategic management and relates to the audit of headquarters units or functions, namely the procurement function, the Fund for Gender Equality, the United Nations Trust Fund in Support of Actions to Eliminate Violence against Women and the UN-Women training centre. UN-Women acknowledges the observation made as to the need for further clarity regarding resource needs, mandate and/or responsibilities for oversight and training and has taken action to address the issue at the corporate level. The Procurement Section reviewed the organizational structure of procurement at headquarters and strengthened its capacity by hiring additional staff. In addition, procurement policies, procedures and tools were revamped and new systems developed, thereby ensuring adequate oversight and management of the function.

4. With regard to the trust funds, a review of project documents of the Fund for Gender Equality was performed and a new project document for 2014-2017 finalized and approved to reflect the approved governance and management structure and sustainability strategy. The United Nations Trust Fund in Support of Actions to Eliminate Violence against Women has developed a new strategic plan for 2015-2020 to guide its efforts in the coming years in consultation with a range of donors and Member States, current and past grantees, civil society experts and Programme Advisory Committee members. The strategy will be finalized in May 2015. In the area of training, UN-Women intends to develop an interim strategy with regard to data collection methods and training mechanisms, while a full strategy is developed.

Insufficiency of the structure and processes for results management, monitoring and reporting

5. The issue pertaining to the insufficiency of the structure and processes for results management, monitoring and reporting was raised in relation to the audit of the procurement function and the training centre. At the corporate level, the

Procurement Section enhanced the systematic oversight and monitoring of procurement activities by:

(a) Creating more than 30 checklists covering all procurement activities to provide requesters, buyers and approving authorities with a list of mandatory documents, steps and actions;

(b) Developing more than 10 guidance documents to support the procurement processes and use of checklists;

(c) Developing and disseminating training materials (more than 15 webinars and 10 video tutorials, along with five regional training sessions for all buyers in UN-Women);

(d) Creating an online procurement planning platform that ensures consolidated requirements;

(e) Creating a real-time dashboard compiling information on overall spending trends at the global, regional and local levels, down to individual purchase orders;

(f) Revising the Programme and Operations Manual to include adequate oversight and monitoring mechanisms to mitigate risk.

6. UN-Women performed a structural and functional review of the Procurement Section to ensure adequate segregation of duties, monitoring and oversight in the decentralized environment. Activities posing a significant risk were defined. In addition, Atlas reporting queries and tools were developed to generate useful information to help buyers and users with the periodic closure processes, reviews of purchase orders and the review and accrual of Atlas receipts, in addition to monitoring and tracing aggregate amounts for suppliers. The Atlas procurement catalogue has been revised to streamline the modalities for reporting on procurement expenditure. The Section has connected and integrated all internal stakeholders through a procurement community network, which has almost 1,000 members, and cross-functional working groups for updating existing and forthcoming tools, processes and procedures.

7. With regard to the training centre, the centre will, on the basis of the budget templates, prepare separate budgets for each activity and a separate Atlas project code for each course development project to facilitate the tracking of and reporting on course development and delivery. Management plans to develop a facilitated training schedule and budget, as funding permits. In addition, UN-Women will initiate internal consultations to develop a strategy for monitoring progress on each Atlas project.

Risk management

8. UN-Women formally adopted an enterprise risk management policy following its review and approval by the senior management team in November 2014. It will serve as the foundation for the implementation of a risk management approach suitable to UN-Women that is comprehensive in scope and integrated into the existing governance structure, decision-making, activities and processes. The establishment of the policy and related procedures makes risk management explicitly part of the accountability system at UN-Women.

Resource mobilization

9. Resource mobilization is a top organizational priority and UN-Women notes the internal audit observations in that regard. UN-Women updated its resource mobilization strategy in 2014 and, consequently, regional, multi-country and country offices have developed individual resource mobilization strategies and action plans. Those strategies reflect the overarching objectives of the organizational resource mobilization strategy, but are tailored to the unique context of each country or region. In addition, headquarters provided tailored support to field offices through special training sessions, sharing of best practices and targeted information about donor priorities and decision-making process. Consequently, UN-Women significantly increased the mobilization of non-core funds to a historic high of $158 million, mobilized largely at the regional and country levels.

10. UN-Women recognizes the importance of annual resource mobilization plans for the United Nations Trust Fund in Support of Actions to Eliminate Violence Against Women and the Fund for Gender Equality. Both trust funds have developed and implemented fundraising plans for 2014 to secure contributions from bilateral donors and to engage potential donors from other sectors, including the private sector and foundations. Consequently, the Fund for Gender Equality raised $6.6 million in 2014 and added nine new partners to its donor list (two Governments, a private sector partner, a foundation and five national committees). In addition, the United Nations Trust Fund in Support of Actions to Eliminate Violence against Women met its fundraising target of $15 million, with contributions from 10 Governments. It also established three new private sector partnerships in the fashion/arts sector to further expand and diversify its range of donors.

11. UN-Women believes that its financing is a continuing joint responsibility of the Entity and the Executive Board. In that spirit, it is engaging Board members in a structured dialogue on financing at every second regular session of the Board, beginning in 2015, to raise awareness of the funding needs and attract stronger financial commitments.

Programme and project management

12. UN-Women has taken action to strengthen the oversight and monitoring of project advances to implementing partners. It has taken action at several levels to identify problems and implement corrective measures, such as:

(a) Identifying specific challenges experienced with partners and long-outstanding advances and providing dedicated support to recover balances;

(b) Supporting countries by providing country-dedicated training to both staff and partners;

(c) In addition to the regular review through the month-end closure instructions and the country office assessment tool, providing oversight by regional offices of outstanding advances in relation to country offices;

(d) Revising relevant sections of the Programme and Operations Manual to further strengthen partner selection processes, especially with regard to capacity assessments of partners and appropriate payment modalities.

13. UN-Women particularly recognizes the importance of internal controls through strengthened accountability of field offices and oversight of regional offices in this regard. Specific training sessions have also been developed to ensure that implementing partners have a good understanding of the management, monitoring and reporting procedures for resources in order to achieve the intended results. As at 31 December 2014, there had been a reduction in outstanding partner advances of $32.5 million (76 per cent) compared with 31 December 2013.

14. Senior-level meetings will be held to drive action to liquidate advances that have been outstanding for more than six months and to improve compliance with partner management policies.

Vendor due diligence and management

15. Vendors are set up in Atlas in compliance with the vendor checklist. All vendors created in 2014 have already been checked against banned vendor lists. A process has also been established for buyers to sign and stamp each vendor form after verification. Supplementary due diligence will be ensured by verifying vendors' bank accounts. UN-Women will further strengthen due diligence to validate the legal existence of vendors and the financial and technical capacity to perform the activities listed in the terms of reference and ensure that vendors have not been sanctioned by the United Nations system.

Management of capital and information assets

16. UN-Women is continuously reinforcing its controls over the management of assets. As part of its internal control process, it verifies physical assets twice a year to ensure their existence. Those controls are regularly monitored from headquarters through the monthly closure procedures, in line with the International Public Sector Accounting Standards. UN-Women reviewed the asset management chapter of the Programme and Operations Manual and strengthened guidance on delegation of authority in relation to the approval of the addition, disposal and donation processes. UN-Women developed additional guidelines with regard to impairment reviews of assets and the physical verification process.

17. UN-Women conducted additional online and face-to-face training sessions for all country offices to increase capacity and to ensure compliance with the asset management policies and procedures. It also implemented a monthly close and reconciliation process to ensure that any errors identified would be proactively addressed and communicated immediately to the country office concerned for resolution. Consequently, UN-Women has seen a reduction in the scope of asset adjustments from $745,000 (166 assets) in 2013 to $15,000 (49 assets) in 2014. In addition, UN-Women developed an Atlas standard operating procedure for asset focal points to ensure that the asset register would be updated in a timely fashion. It has noted a reduction of 78 per cent in the number of assets without serial numbers and tag numbers in the register.

18. Concerning information assets, observations were made with regard to the Pakistan and Mali offices, together with the Fiji multi-country office, in relation to controls over information and communications technology assets. The offices have taken action to respond to the recommendations. In Pakistan, access to the server

room has already been restricted and items therein have been rearranged. In Mali, the office is working with UNDP to put in place a back-up system that is secure and accessible to all staff. An access control system was established in January 2015. In addition, information sessions on security and access to digital information were conducted during a staff retreat in January 2015. In Fiji, all office assets were tagged and a process to update the location of assets in Atlas was also completed on 2 July 2014. Asset verifications were conducted in Kiribati, Solomon Islands and Vanuatu in June and July 2014.

Pre-financing of non-core projects

19. The issue of pre-financing of non-core projects in the Mali office was addressed by clarifying the accountability lines for compliance with the Programme and Operations Manual and through special training for staff, in particular new staff. Similar interventions were made to ensure compliance with the Harmonized Approach to Cash Transfers. In the case of the Fiji multi-country office, issues relating to expenditure limits and accurate recording of expenses were tackled by clarifying accountability lines and establishing a requirement to seek headquarters approval in such scenarios, as well as through staff training.

Investigations

20. Senior management is committed to following through all investigation cases and to ensuring timely and decisive action in that regard. Senior management will continue to work closely with the Office of Audit and Investigations to ensure timely reports and relevant management action in all cases.

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Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women

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Audit matters

Report of the Audit Advisory Committee for the period from 1 January to 31 December 2014

I. Introduction

1. Pursuant to item 30 of the terms of reference of the Audit Advisory Committee, the third report of the Committee to the Under-Secretary-General/Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) provides a summary of the activities undertaken and the advice given by the Audit Advisory Committee in 2014. The present report is made available to the Executive Board, and upon request, the Chair presents the report to the Board.

Background

2. In May 2012, the Under-Secretary-General/Executive Director of UN-Women approved the terms of reference of an oversight committee, to be known as the Audit Advisory Committee. The approved terms of reference are available from www.unwomen.org/en/about-us/accountability/audit.

3. Item 1 of the terms of reference describes the Committee as having been established to provide the Under-Secretary-General/Executive Director with independent, external advice based on good practice regarding the organization's accountability framework and systems, including risk management. The Committee assists the Head of the Entity in fulfilling her oversight responsibilities in accordance with relevant best practices. The terms of reference are approved by the Under-Secretary-General/Executive Director and may be modified from time to time, as necessary. The Committee has an advisory role and is not a governance body; no language or clauses in the terms of reference are intended to imply otherwise.

4. In September 2012, the Head of UN-Women formally constituted the Audit Advisory Committee to further enhance accountability and "promote proper

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governance and high ethical standards, as well as the adoption and use by management of best practices in risk and financial management" within UN-Women, in accordance with item 2 of the terms of reference.

5. The Under-Secretary-General/Executive Director appointed the following five members: Catherine Bertini (United States of America), William Fowler (United States), Elizabeth MacRae (Canada), Yuen Teen Mak (Singapore) and Frank Sap (Belgium). The Committee as a whole is made up of people with working knowledge of and familiarity with financial and programme matters, accounting, governance, internal audit and investigation, external audit, internal control and risk management practices and principles and United Nations intergovernmental and normative work and processes.

6. In accordance with items 6 and 7 of the terms of reference, all Committee members are independent and external to UN-Women. Additionally, Committee members complete an annual declaration of independence for the Under-Secretary-General/Executive Director that assures the transparency of Committee members fulfilling their roles, without any interests being compromised.

II. Audit Advisory Committee activities and advice as at 31 December 2014

7. In 2014, the Audit Advisory Committee held three face-to-face meetings, from 22 to 24 April, on 16 and 17 July and on 24 and 25 November, and participated in one teleconference call on 11 December. UN-Women participants in the meetings included the Under-Secretary-General/Executive Director, the two Deputy Executive Directors and relevant representatives of programme and operational senior management. As required, the Committee also met without management present and had separate in-camera meetings with the Under-Secretary-General/Executive Director, the Board of Auditors and the Director of the Office of Audit and Investigations of the United Nations Development Programme (UNDP), which is the Office responsible for the UN-Women Audit Unit. The Chair of the Committee also participated in the annual session of the Executive Board, in June 2014. In addition to formal meetings, Committee members continued their internal consultations and deliberations, document review and provision of advice to UN-Women management via telephone and e-mail interaction.

8. In October 2014, two Committee members participated in a three-day field visit to the regional office of UN-Women in Bangkok and the Entity's country office in Viet Nam. The objective of the field visit was to enable Committee members to better understand field operations, gain an appreciation for how the business objectives of UN-Women are achieved and effectively carry out their oversight role and add value to UN-Women. The terms of reference for the field visits had been adopted by the Committee at its meeting in July 2014 and endorsed by UN-Women management. Key observations from the field visit were shared with fellow Committee members and UN-Women management.

9. Minutes from the meetings were prepared and approved. The Committee interacts regularly with the Under-Secretary-General/Executive Director during each meeting and formally reports on its deliberations after each on-site meeting.

A. Board of Auditors

10. The Committee met regularly with the Board of Auditors to share relevant information and understand the strategies implemented to ensure overall audit coverage for UN-Women, which includes the work performed by the UN-Women Audit Unit.

11. The Committee has regularly been updated on the status of implementation of the recommendations contained in the reports of the Board of Auditors and supports efforts by UN-Women to deal with the outstanding issues, particularly in ensuring that underlying systemic and strategic issues are addressed in a consistent and ongoing manner.

B. Organizational challenges and regional architecture

12. The Committee has been briefed extensively by senior management on the organizational challenges that UN-Women has experienced since its formal inception in 2011, when four entities of the United Nations were combined to create UN-Women.

13. The Committee notes that the opening, in 2014, of the Regional Office of UN-Women for Eastern Europe and Central Asia, in Istanbul, Turkey, completed the implementation of the regional architecture of UN-Women. The Committee understands that the benefits of the regional architecture are tangible in terms of empowered decision-making at the field office level. The Committee recognizes that regional and other field offices need the capacity to exercise authority in a decentralized work environment and notes that the requisite controls must be in place both at headquarters and in the field to monitor and mitigate operational and strategic risks. The Committee understands that a strengthened oversight mechanism has been established through country-specific internal control frameworks and delegation of authority.

14. Given that the implementation of the regional architecture was one of the Entity's organizational priorities, the Committee expects that through monitoring by UN-Women of its key performance indicators, it will be in a position to report substantively on the realization of benefits, including operational efficiencies, that are expected as a result of decentralization.

15. The Committee also understands the challenges of ensuring that appropriate staff complements are in place in each of the field offices and of providing the necessary training and learning required for the appropriate controls and risk management strategies to be implemented throughout the organization. The Committee understands that UN-Women has embarked on a programme to identify a modern human resources information system that meets the specific needs of UN-Women.

16. During 2014, UN-Women conducted a global workforce survey, for which there was a high rate of participation. Among other activities being implemented on the basis of the constructive feedback gathered during the survey, UN-Women is reassessing its recruitment processes, including options for introducing talent management and succession planning, as well as developing and implementing a rotation and mobility policy.

C. Resource mobilization

17. The Committee understands the potential opportunities that the regional architecture has created to strengthen and increase the linkages for inter-agency coordination and resource mobilization at the local level. However, the Committee continues to note the Entity's ongoing challenges regarding resource mobilization in 2014. Without increased contributions, the resources may not be sufficient for UN-Women to carry out its mandate.

18. UN-Women needs to develop a comprehensive and coherent resource mobilization strategy, which clarifies and formalizes organizational responsibility and accountability for both core and non-core resource mobilization at the country level, for foundations and for the private sector. Without clear assignment of responsibility, the risks of not meeting resource targets are increased.

19. Furthermore, while the pace of resource mobilization needs to be accelerated and delivery through implementing partners needs to be more effective, the Committee recommends prudence in UN-Women resource mobilization efforts to guard against a tendency to accept all monies, which could lead to non-reversible long-term commitments and future risks to the Entity's core mandate.

D. Enterprise risk management

20. The Committee notes that one long-outstanding internal audit recommendation suggests UN-Women develop a corporate policy on risk management to assist field offices in identifying, assessing, monitoring and reporting risks associated with their programmes. In 2014, UN-Women drafted an enterprise risk management policy and collaborated with other United Nations system entities on their lessons learned in implementing enterprise risk management strategies and processes. The Committee supports UN-Women efforts to date. The Committee underscores the importance of implementing a formal Entity-wide risk management system, which is integrated with existing management and decision-making processes, addresses risk exposures throughout the organization and in its external relationships and clearly identifies accountability and responsibility for risk ownership.

E. Evaluation function

21. The Committee continues to stress the importance of appropriately resourcing the evaluation function both centrally and decentrally, and of ensuring that evaluation results reflect achievements expected in the strategic plan and are used to increase knowledge and improve performance results. In this respect, it is particularly important that the annual evaluation report is practical, realistic and usable and reflects clearly how the programmes have been effective. As such, identification of good programme examples could showcase UN-Women capabilities and successes, so as to support resource mobilization and attract donor funds.

F. Internal audit

22. The Committee recognizes that UN-Women entered into a service level agreement with the Office of Audit and Investigations of UNDP in December 2011 to conduct internal audits and investigations on behalf of UN-Women and notes that a further agreement for an additional two years was entered into in December 2013.

23. In 2014, UN-Women commenced the process of determining whether value for money is obtained through outsourcing the internal audit function. The Committee recommends that, as part of the process of studying options for the most appropriate model, UN-Women determine the level of audit assurance required. This should then be fully supported by a comprehensive budget proposal for the consideration of the Executive Board, which carefully considers the resources required to manage the realization of a full transition to internal auditing capacity, along with the resources needed to establish the management and administrative infrastructure of the function.

24. At the time of writing, the Committee recommends that the UN-Women Audit Unit, established through the service level agreement with UNDP, be continued until such time as UN-Women has its full senior management structure in place and the costs and benefits of any subsequent transition of the internal audit function are identified and approved by the Executive Board.

25. The Committee understands that the UN-Women Audit Unit is considered operationally independent from UNDP. However, the Committee remains concerned that there may be potential conflicts of interest because UNDP undertakes some of the administrative functions for UN-Women through other service level agreements, such as for information and communications technology systems and the administration of payroll, benefits and entitlements. Furthermore, greater analysis as regards considerations of value for money must be undertaken for all functions outsourced to UNDP. As a compensating control and in order to ensure transparency and best value for money, the Committee reiterates the importance of having an independent organizational focal point in UN-Women to oversee internal audit activities and ensure that results are integrated into the senior management structure. The Committee's report for 2013 had already highlighted that the Director of Audit and Investigations of UNDP should regularly report to and have ongoing communication with senior management at UN-Women.

26. The Committee reviewed the annual workplans for the UN-Women Audit Unit for both 2014 and 2015 and recommended the approval in principle of the plans. The Committee was regularly briefed on the results of the various audit engagements performed during 2014, including systemic and recurring issues of interest. It is important that UN-Women address high priority recommendations, particularly those dealing with Entity-wide issues, such as the management of advances to implementing partners, resource mobilization strategies and efforts, procurement and project monitoring and oversight.

27. The Committee supports the continued strengthening of the internal audit services of UN-Women in order to ensure sufficiency of audit coverage in audit plans. The Committee reiterates the importance of regularly monitoring and assessing resource levels and capacity to ensure that they are appropriate and sufficient to address the overall assurance needs of UN-Women. It is also important that the UN-Women Audit Unit and the Board of Auditors engage in more ongoing

communication and collaboration to ensure the complementarity of the audit functions and encourage reliance by the Board of Auditors on the internal audit work performed, if appropriate.

28. The Committee again notes Executive Board decision 2012/10, adopted on 30 November 2012 (see UNW/2012/16), on the disclosure of internal audit reports, and the corresponding document on the standard operating procedures for applying the policy (Standard Operating Procedures No. 860 of the Office of Audit and Investigations). The Committee reiterates its recommendation that UN-Women develop and implement a communication strategy to ensure that audit results, recommendations and management actions are promulgated in an understandable and transparent manner, particularly when systemic and recurring issues are identified in internal audit reports.

G. Investigations

29. The Committee received regular updates from the Office of Audit and Investigations, providing an overview of the investigation caseload, the breakdown of the nature of the allegations and the status of the cases.

30. The Committee stresses the importance of the Under-Secretary-General/Executive Director and relevant members of UN-Women senior management receiving timely reports setting out the current investigation cases as well as management action taken as a result of closed investigation cases. In that way, UN-Women can satisfy itself that there is appropriate follow-up for cases that warrant investigation and that UN-Women accountability for decision-making and results is assured.

31. While the Committee has suggested a continuing review of the internal audit function, it is not recommending changing the outsourcing arrangement for the investigation function at the present time or in the near future. In this regard, it should be noted that UN-Women pays directly for each case investigated and investigation experts are highly specialized.

H. Financial statements

32. The Committee reviewed the draft financial statements for the year ended 31 December 2013. The Committee commends UN-Women on receiving an unqualified audit opinion from the Board of Auditors (see A/69/5/Add.12). The financial reporting for UN-Women continues to improve and refinements continue to be made, as necessary. The Committee recommends that UN-Women continue to monitor closely the management of advances made to implementing partners.

33. The Committee understands that the Board of Auditors has expressed concern relating to fully depreciated assets that are still in use and the policy for inventories. The Committee believes that both of these items are issues that are not material to the financial reporting for UN-Women and that both can be satisfactorily resolved.

I. Relationship with the United Nations Development Programme

34. As noted in paragraph 25, the Committee is aware that UN-Women has entered into service level agreements with UNDP to undertake some of the Entity's administrative functions. UN-Women remains accountable for the Entity's overall performance and the Committee therefore reiterates the importance of UN-Women implementing the relevant processes and procedures to ensure that any such outsourced functions are performed appropriately.

J. Strategic plan, 2014-2017

35. The Committee was updated regularly on the processes and approaches to implement the updated strategic plan, 2014-2017. The Committee supports the continued collaboration of UN-Women with partners within and outside the United Nations system in achieving its strategic objectives in advancing gender equality, promoting the empowerment of women and girls and ending violence against women.

III. Final considerations

36. The Audit Advisory Committee of UN-Women has reviewed the report on internal audit and investigation activities for the period from 1 January to 31 December 2014 (UNW/2015/4), to be submitted to the Executive Board at its annual session, taken note of the significant internal audit results identified, and concurs with its contents. In particular, the Committee supports the findings in paragraph 26 of the report, which states that "management not only should look to address the recommendations as they pertain to the location audited, but also should consider whether the risks identified apply to the broader organization and could be more effectively mitigated through a more global response, such as a policy or process change or clarification".

37. The Committee expresses support for the continued strengthening of governance, risk management, internal controls and accountability at UN-Women.

Annex

Management response to the report of the Audit Advisory Committee

1. The management of UN-Women acknowledges the third report of the Audit Advisory Committee and expresses its appreciation to the distinguished members of the Committee for their dedication to the organization's mandate.

Board of Auditors

2. UN-Women appreciates the Committee's support for the efforts made by the organization to deal with outstanding issues, and in particular in dealing with the underlying systematic and strategic issues highlighted in audit observations of the Board of Auditors. UN-Women is continuously taking action to address audit recommendations. For the financial year 2012, 16 of the 17 recommendations issued were implemented and 1 remains under implementation. For the financial year 2013, 9 of the 12 recommendations issued were implemented and 3 are under implementation. UN-Women management is committed to taking action to address the implementation of external audit recommendations issued by the Board of Auditors.

Organizational challenges and regional architecture

3. UN-Women agrees with the Committee as regards the importance of being able to track and verify the improvements in operational efficiency that have emerged from the implementation of the regional architecture, including those additional steps that were taken in 2014, such as the opening of the Regional Office for Eastern Europe and Central Asia in Istanbul, in 2014.

4. The Entity has a number of indicators in its strategic plan, 2014-17, as part of the organizational effectiveness and efficiency framework, that are being tracked to measure progress more broadly in relation to efficiencies that are anticipated as a result of the implementation of the regional architecture, among other organizational improvements. For example, UN-Women considers the marked improvement in its delivery rate, a key strategic plan indicator, to be directly attributable to the strengthening of capacity and the streamlining of business processes through the delegation of authority that occurred as part of the regional architecture.

5. At the same time, UN-Women has also noted areas where the regional architecture is not performing as anticipated, such as in terms of improvements in the quality and timeliness of donor reporting, which is another aspect that is tracked in the organizational effectiveness and efficiency framework. UN-Women is committed to addressing such issues.

6. The forthcoming independent evaluation of the regional architecture, which will begin in 2015 and the results of which will be reported to the Executive Board in 2016, will provide additional insights and lessons for future adjustments. The evaluation will be both a timely and robust independent review of the regional architecture and its utility and effectiveness in bringing about the intended changes to organizational performance, positioning and culture.

7. With regard to staffing, as part of the development of a human resources information system, UN-Women has mapped the current status of key global human resources business processes and is currently identifying the main areas for improving standard operating procedures as regards human resources. When completed, the new procedures will form the basis of the design for the automation and online workflows in the new human resources information system.

8. UN-Women is proactively responding to the feedback received as part of the global workforce survey through a participatory approach involving staff from headquarters and field offices. In that context, UN-Women has initiated the development of a comprehensive performance management framework that will also form the basis for the Entity's approach to talent management and succession planning. The framework will also include the development of a rotation and mobility policy.

Resource mobilization

9. Resource mobilization remains a top organizational priority and UN-Women values the attention that the Committee has given to the issue. In 2014, the Entity's strategy to widen and deepen the donor base saw encouraging progress, with its highest ever contributions to core resources ($164 million), representing an increase of 5 per cent compared with 2013, while the number of Governments contributing grew by 7.7 per cent, to a total of 143. Twenty-six donors contributed to UN-Women for the first time, and 44 contributed as part of multi-year pledges, with six Government donors contributing above the $10 million mark and two contributing more than $20 million. UN-Women will continue its focus in pursuing this growth strategy, focusing on deepening core contributions. Similarly, non-core contributions reached a historic high of $158 million in 2014. For the first time, UN-Women had reached its reduced annual resource mobilization targets for both core and non-core resources.

10. UN-Women updated its resource mobilization strategy in 2014, so as to make it more comprehensive and coherent. Accordingly, the overwhelming majority of field offices have developed resource mobilization strategies and action plans for resource mobilization and partnership-building, with clear assignments of responsibilities. At headquarters, the Bureau for Policy and Programme led resource mobilization efforts for non-core resources, while the Bureau for Intergovernmental Support and Strategic Partnerships led United Nations coordination efforts to mobilize core resources. Senior management is actively engaged in all resource mobilization efforts.

11. Regional and country strategies reflect the overarching objectives of the corporate resource mobilization strategy but are tailored to the unique context of each country/region. UN-Women headquarters is also providing ongoing resource mobilization training on private sector and Government fundraising to regional and country offices, while regional offices are increasingly providing resource mobilization support to country offices. UN-Women representatives are engaging with donor representatives at the country level, where most funding decisions on non-core resources are taken. On several occasions, the strategic notes and/or annual workplans of country offices have been used successfully as a resource mobilization tool.

12. UN-Women agrees with the Committee that the pace of resource mobilization needs to be accelerated and accompanied by effective programme delivery. UN-Women has a long-term aim of mobilizing $500 million per year by 2017, composed of $200 million in core resources and $300 million in non-core resources. In order to increase the organization's programme volume, UN-Women intends to drive growth by investing in a limited number of high-impact and scalable initiatives. A strong focus on high-impact initiatives will ensure that the proposed growth will likewise be driven by and responsive to the Entity's mandate and strategic plan.

13. UN-Women management values the Committee's support in driving resource mobilization strategies to reach the goals set out in the strategic plan, 2014-2017, and is committed to ensuring that all funds received are from reliable funding sources and fully aligned with the priorities of the strategic plan.

Enterprise risk management

14. UN-Women has formally adopted an enterprise risk management policy, following its review and approval by the senior management team in November 2014. The policy will serve as the foundation for the implementation of a risk management approach that is suitable for UN-Women and that is comprehensive in scope and integrated within the existing governance structure, decision-making processes, activities and processes. The establishment of the policy and procedures makes risk management explicitly part of the accountability system at UN-Women.

Evaluation function

15. UN-Women is committed to continuously strengthening the evaluation function, building on its strong foundation and ensuring it continues to provide evaluations of strategic use to the Entity and to the achievement of gender equality and women's empowerment.

16. UN-Women is fully committed to achieving the target of investing 3 per cent of UN-Women expenditure in the evaluation function, both centrally and decentrally, as stated in the evaluation policy. The corporate evaluation plan was designed to ensure that all major elements of the strategic plan would be evaluated.

17. In order to ensure that the annual evaluation report for 2014 is practical, realistic and usable, the Evaluation Office will include clear key performance indicators in the report, with an assessment of their status versus expected targets (see UNW/2015/5). The indicators will provide practical and usable information covering all the key elements of the evaluation function, including the implementation status of the corporate evaluation plan.

18. The 2015 meta-analysis of evaluations managed by UN-Women, to be presented to the Executive Board at its second regular session, will provide programme examples and lessons learned on successful strategies and interventions.

Internal audit

19. UN-Women acknowledges the Committee's recommendation as concerns evaluating the benefits and costs of outsourcing the internal audit function to UNDP or of having the function move in-house. In December 2014, the potential cost implications for an in-house internal audit function were estimated at an additional $1 million per year, for staff costs only.

20. The full budget implications will be presented to the Executive Board in due course. As recommended by the Committee, UN-Women plans to continue the service level agreement with UNDP until such time as funds for the transition of the internal audit function have been approved by the Executive Board.

21. UN-Women notes the Committee's concern regarding a potential conflict of interest, with UNDP performing the internal audit function for UN-Women as well as such outsourced functions as treasury, information and communications technology systems and the administration of payroll, benefits and entitlements. UN-Women management is committed to ensuring that adequate oversight is in place to address any potential conflict of interest.

22. UN-Women acknowledges the Committee's recommendation that high priority recommendations in the area of the management of advances to implementing partners, country office resource mobilization strategies, procurement, and project monitoring and oversight, be addressed. UN-Women has been proactively addressing those issues. As of 31 December 2014, the Office of Audit and Investigations reported that 75 per cent of recommendations had been fully implemented, 17 per cent were in the process of being implemented and implementation activities had yet to be started for 8 per cent. UN-Women is committed to the full implementation of the recommendations and will continually ensure that follow-up is diligent.

23. UN-Women appreciates the Committee's support for the ongoing strengthening of internal audit services to ensure sufficient audit coverage in audit plans. UN-Women will institute semi-annual briefings between the Under-Secretary-General/Executive Director of UN-Women and the Director of Audit and Investigations of UNDP. The UN-Women Audit Unit and the Board of Auditors will also meet periodically to ensure complementarity of the audit functions and to avoid overlap in the execution of their workplans.

24. UN-Women notes the Committee's recommendation on developing and implementing a communication strategy to ensure that audit results, recommendations and management actions are promulgated in an understandable and transparent manner. Audit reports are published on a public website within 30 calendar days of issuance (available from www.unwomen.org/en/about-us/accountability/audit/disclosure-of-internal-audit-reports). When formulating its management responses and related action plans, UN-Women ensures that critical and recurring issues are addressed. Auditors periodically perform a review of actions taken by UN-Women to implement the recommendations, and report on the implementation status. In addition, UN-Women management has taken action in communicating with its donors in response to specific internal audit reports published under the public disclosure policy, effective from 1 December 2012. UN-Women will further discuss the communication strategy referred to by the

Committee at the senior management level and, if required, additional guidance will be sought from the Committee.

25. UN-Women fully agrees with the Committee's recommendation on addressing issues identified in a specific audit in a systemic way and with a global response, including a change in policy or process. When reviewing audit recommendations, the relevance of risks, particularly in areas of high risk to other parts of the organization is considered. UN-Women is also establishing an internal working group on audit issues to take action on the Committee's recommendation, among other considerations.

Investigations

26. UN-Women management notes the Committee's appreciation for the regular updates provided on the investigation caseload and agrees with the Committee's recommendation as regards ensuring that UN-Women senior management receives timely reports on investigations.

27. UN-Women also notes the Committee's recommendation not to change the outsourcing arrangement for the investigation function at the present time or in the near future, given the highly specialized nature of the function.

Financial statements

28. UN-Women management is pleased that the Committee has taken note of the unqualified audit opinion on the financial statements for the year ended 31 December 2013 and the continued improvements in financial reporting.

29. UN-Women agrees with the Committee that the Entity needs to closely monitor the management of advances to implementing partners. During 2014, in addition to the regular review through month-end closure instructions and the country office assessment tool, the regional offices also commenced oversight of country office outstanding advances balances.

30. Further, the Division of Management and Administration and the Programme Division have sent communications to field offices emphasizing the importance of advance liquidations. The two divisions have also held meetings with regional offices to identify specific issues with advance monitoring and liquidation and to provide support for advance liquidations. Corporate training for implementing partners has been prepared and provided to a number of partners of specifically targeted offices.

Relationship with the United Nations Development Programme

31. UN-Women management agrees with the Committee's observation as to the importance of monitoring functions outsourced to UNDP. For key functions undertaken by UNDP on behalf of UN-Women, the Division of Management and Administration has put in place the following controls to ensure that outsourced functions are performed appropriately: (a) concerning treasury services, UN-Women has agreed to the investment policy and guidelines of UNDP and holds quarterly

investment review meetings with UNDP on its investments; (b) concerning payments and bank reconciliations, UN-Women reviews the bank reconciliations prepared by UNDP, on a monthly basis; (c) concerning human resources for international staff based at headquarters, UN-Women uses a payroll validation tool to check the information submitted to UNDP for the processing of payroll for staff members in the Professional and higher categories and for General Service; (d) concerning human resources in field-based offices, a monitoring and/or validation process has been implemented, so as to ensure accuracy before the payroll for local staff salaries is finalized; (e) concerning information technology services, there are governance mechanisms in place, with regular service delivery review meetings as the primary control mechanism. In addition, UN-Women utilizes automated monitoring tools to track the availability of systems delivered by UNDP. Furthermore, UN-Women received a certification letter from the Deputy Assistant Administrator of UNDP for all transactions undertaken on behalf of UN-Women for the year ended 31 December 2014.

Strategic plan, 2014-2017

32. UN-Women values the Committee's support for the strategic plan, 2014-17, and will continue to keep the Committee updated on its implementation. UN-Women management also welcomes the support provided by the Committee for the Entity's continued collaboration with partners both within and outside the United Nations system to achieve its strategic objectives in advancing gender equality, promoting the empowerment of women and girls and ending violence against women.